

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Community District Library	County Shiawassee
Fiscal Year End 6/30/06	Opinion Date 8/31/2006	Date Audit Report Submitted to State 11/1/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

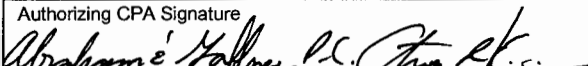
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	None	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic, CPA	
		License Number 1101022020	

**Community District Library
Corunna, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

Community District Library

Corunna, Michigan

BOARD OF TRUSTEES

June 30, 2006

Ms. Carol Chrisinske	Chairperson
Ms. Kathy Pavlica	Vice-Chair
Ms. Linda Sedlock	Treasurer
Ms. Patricia Yott	Secretary
Ms. Pat Borst	Member
Ms. Geraldine Hagadon	Member
Ms. Debra Newman	Member

Community District Library

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Community District Library
Corunna, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund information of Community District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Community District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Community District Library as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 31, 2006

New Financial Reporting

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2006 and also provides a comparison with the financial activities of the prior fiscal year. Please read it in conjunction with the Library's financial statements immediately following this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$584,125 (net assets) at the government-wide level.

The Library's total net assets increased by \$85,330, as a result of current year activity at the government-wide level. This was mainly due to the General Fund revenues exceeding expenditures at the fund level in the amount of \$98,226.

- Unrestricted Fund Balance Fund increased as a result of revenues exceeding expenditures in the current year at the fund level by the \$98,226 noted above.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Community District Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting and measures the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Community District Library in more detail than the government-wide financial statements by providing information about the Library's most significant fund.

The Library as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 and 2005.

	June 30,	
	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 397,857	\$ 294,666
Capital assets	<u>196,705</u>	<u>209,601</u>
Total assets	594,562	504,267
Liabilities		
Current liabilities	<u>10,437</u>	<u>5,472</u>
Net Assets		
Invested in capital assets	196,705	209,601
Unrestricted	<u>387,420</u>	<u>289,194</u>
Total net assets	<u>\$ 584,125</u>	<u>\$ 498,795</u>

Community District Library

Management's Discussion and Analysis

The Library's total net assets were \$584,125 at June 30, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$387,420 at the end of the fiscal year. The net assets invested in capital assets were at \$196,705.

The following table shows the changes in net assets during the current year and the prior year.

	June 30,	
	<u>2006</u>	<u>2005</u>
Revenues		
Program revenue:		
Charges for services	\$ 8,191	\$ 3,747
Operating grants and contributions	20,780	156,974
Capital grants and contributions	-	236,025
General revenue:		
Property taxes	276,124	264,750
State aid - unrestricted	17,059	22,542
Penal fines	98,079	103,885
Interest	10,087	2,988
Miscellaneous	<u>6,992</u>	<u>3,439</u>
Total revenues	437,312	794,350
Program Expenses		
Recreation and cultural	<u>351,982</u>	<u>295,555</u>
Change in Net Assets	<u>\$ 85,330</u>	<u>\$ 498,795</u>

Governmental Activities

The Library's governmental revenues totaled \$437,312 with the greatest revenue source being property taxes levied by the district. Property taxes make up approximately 63.1 percent of total governmental revenue.

The Library incurred expenses of \$351,982 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the library service function.

The Library's Fund

The analysis of the Library's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the specific fund, not the Community District Library as a whole. The Community District Library's Board of Trustees may create funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's only fund for the fiscal year ended June 30, 2006 was the General Fund.

The General Fund pays for the Library's governmental services. The sole service provided during the fiscal year was library services, which incurred expenditures of \$339,086 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. In total the budget was only amended to increase total expenditures by \$10,347 or 3%. No specific increase within that budgetary amendment was materially significant. Budget amendments were made to increase the budget for technology.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$196,705 invested in equipment, furniture, and books (net of accumulated depreciation). The main capital assets added were \$7,629 for computers and other equipment throughout the branches and \$42,695 in books, etc. which were added to the collection.

No debt was issued during the fiscal year. The Library had no indebtedness at June 30, 2006.

Next Year's Millage Rate

A four-year, .5 operating millage was approved August, 3, 2004. For fiscal year 2005/2006 the estimated revenue was \$274,124 and actual was \$276,124. The Shiawassee County Equalization Department projects \$295,070 in revenue for fiscal year 2006/2007. Actual revenue may vary due to tax capture by local Downtown Development Authorities.

At its June 28, 2006 meeting, the Library Board of Trustees approved fiscal year 2006/2007 revenue estimates of \$402,475 and expenditures of \$402,475.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Betsy Hull, Library Director, 231 N. Shiawassee Street, Corunna, MI 48817, (989)743-3287, cdl-director@michonline.net.

BASIC FINANCIAL STATEMENTS

Community District Library
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 339,151
Accounts receivable	564
Due from other governmental units	52,814
Prepays	<u>5,328</u>
Total current assets	397,857
Noncurrent assets	
Capital assets, net	<u>196,705</u>
TOTAL ASSETS	594,562
LIABILITIES	
Current liabilities	
Accounts payable	6,109
Accrued liabilities	<u>4,328</u>
Total current liabilities	10,437
NET ASSETS	
Invested in capital assets	196,705
Unrestricted	<u>387,420</u>
TOTAL NET ASSETS	<u><u>\$ 584,125</u></u>

See accompanying notes to financial statements.

Community District Library
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Recreation and cultural	<u>\$ 351,982</u>	<u>\$ 8,191</u>	<u>\$ 20,780</u>	<u>\$ (323,011)</u>
General revenues:				
				276,124
				17,059
				98,079
				10,087
				<u>6,992</u>
			Total general revenues	<u>408,341</u>
			Change in net assets	85,330
			Net assets, beginning of the year	<u>498,795</u>
			Net assets, end of the year	<u>\$ 584,125</u>

See accompanying notes to financial statements.

Community District Library

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 339,151
Accounts receivable	564
Due from other governmental units	52,814
Prepays	<u>5,328</u>
TOTAL ASSETS	<u><u>\$ 397,857</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 6,109
Accrued wages	3,599
Other accrued liabilities	<u>729</u>
TOTAL LIABILITIES	10,437
FUND BALANCE	
Reserved for prepaids	5,328
Unreserved	
Undesignated, reported in:	
General fund	<u>382,092</u>
TOTAL FUND BALANCE	<u>387,420</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 397,857</u></u>

See accompanying notes to financial statements.

Community District Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds **\$ 387,420**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 341,216	
Accumulated depreciation is	<u>(144,511)</u>	
Capital assets, net		<u>196,705</u>
Net assets of governmental activities		<u><u>\$ 584,125</u></u>

See accompanying notes to financial statements.

Community District Library

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	<u>General</u>
REVENUES	
Taxes	\$ 276,124
Intergovernmental	37,839
Fines and forfeits	98,079
Charges for services	8,191
Interest	10,087
Other	<u>6,992</u>
TOTAL REVENUES	437,312
EXPENDITURES	
Current	
Recreation and cultural	288,762
Capital outlay	<u>50,324</u>
TOTAL EXPENDITURES	<u>339,086</u>
EXCESS OF REVENUES OVER EXPENDITURES	98,226
Fund balance, beginning of year	<u>289,194</u>
Fund balance, end of year	<u><u>\$ 387,420</u></u>

See accompanying notes to financial statements.

Community District Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds **\$ 98,226**

Amounts reported for governmental activities in the statement of activities are different because:

The net effect of capital contribution transactions at the inception of the library involved capital assets resulting in an increase to net assets

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 50,324	
Depreciation expense	<u>(63,220)</u>	
Excess of depreciation expense over capital outlay		<u>(12,896)</u>

Change in net assets of governmental activities **\$ 85,330**

See accompanying notes to financial statements.

Community District Library
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Library is a District Library formed to pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the City of Corunna and the townships of Burns, Caledonia, Hazleton, Perry, Shiawassee, and Venice. The Library has a separate tax millage and governing board. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The local municipalities within the Libraries boundaries collect and distribute property taxes that are levied by the Library. The Library has no stockholders and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is a board which is comprised of seven (7) members appointed in accordance with the provisions of the District Library Establishment Act (MCL 397.171).

The Community District Library's goal is to provide materials and services, which will furnish opportunities for educational, informational, recreational, and cultural needs for the community. The Library's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Community District Library. The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Library as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Library's individual major fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund of the Library is:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources. General fund activities are financed by revenue from general property taxes, penal fines, and other sources.

Community District Library
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

Budgets shown as required supplementary information were prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted and maintained at the account level.
- d. Budgeted amounts are reported as originally adopted and as amended by the Library Board during the year.

Community District Library
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of a money market checking account.

7. Receivables

Receivables consist of penal fines, interest, and other amounts due from organizations or other governments.

8. Property Taxes

The participating City and Townships levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the City and Township Treasurers. At March 1 each year the City and Townships settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the Treasurers for subsequent collection. The voters approved a levy of .5 mills for general operating.

9. Capital Assets

Capital assets include land, buildings, equipment, and collections and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Collections	5 years
Equipment and furniture	3 - 20 years

10. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the General Fund for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

Community District Library
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Community District Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Community District Library.

As of June 30, 2006, the carrying amount and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Money market checking	\$ 338,936	\$ 350,210

As of June 30, 2006, the Library's deposits were insured by the FDIC in the amount of \$100,000 and the amount of \$250,210 was uninsured and uncollateralized. The cash and cash equivalents captions in the basic financial statements includes \$215 in imprest cash.

Community District Library
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Interest rate risk

The Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

Concentration of credit risk

The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's) and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Equipment and furniture	\$ 4,994	\$ 7,629	\$ -	\$ 12,623
Collections	<u>285,898</u>	<u>42,695</u>	<u>-</u>	<u>328,593</u>
Totals at historical cost	290,892	50,324	-0-	341,216
Less accumulated depreciation for:				
Equipment and furniture	(251)	(1,771)	-	(2,022)
Collections	<u>(81,040)</u>	<u>(61,449)</u>	<u>-</u>	<u>(142,489)</u>
Total accumulated depreciation	<u>(81,291)</u>	<u>(63,220)</u>	<u>-0-</u>	<u>(144,511)</u>
Capital assets, net	<u>\$ 209,601</u>	<u>\$ (12,896)</u>	<u>\$ -0-</u>	<u>\$ 196,705</u>

Depreciation expense was wholly allocated to the lone governmental function (recreation and cultural) in the amount of current depreciation expense of \$63,220.

Community District Library
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE D: NONCANCELABLE OPERATING LEASE OBLIGATIONS

Community District Library has entered into a four-year, noncancelable long-term lease with Solomon Investments for the Administration offices located in Corunna. Rent expense related to this lease was \$8,754 for the year ended June 30, 2006. Future minimum lease payments on the years remaining on the lease are as follows:

<u>Fiscal Year</u>	
2007	\$ 9,180
2008	9,180
2009	<u>1,530</u>
TOTAL PAYMENTS	<u>\$ 19,890</u>

NOTE E: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or have been legally segregated for a specific future use.

The following is the fund balance reserve as of June 30, 2006:

General Fund	
Reserved for prepaids	<u>\$ 5,328</u>

NOTE F: RISK MANAGEMENT

The Library is exposed to various risks of loss for liability, property, employee dishonesty, workers' compensation, and employer's liability for which the Library carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Community District Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 276,124	\$ 276,124	\$ 276,124	\$ -0-
Intergovernmental				
State	19,200	19,200	17,059	(2,141)
Local	1,500	1,500	20,780	19,280
Library fees and fines	4,765	4,765	8,191	3,426
Interest	2,500	2,500	10,087	7,587
Penal fines	69,000	69,000	98,079	29,079
Other	1,500	1,500	6,992	5,492
TOTAL REVENUES	374,589	374,589	437,312	62,723
EXPENDITURES				
Recreation and cultural				
Salaries and wages	176,658	176,658	171,937	4,721
Fringe benefits	29,014	29,014	33,106	(4,092)
Supplies	13,000	13,000	12,535	465
Occupancy	9,180	9,180	8,754	426
Contracted services	21,950	18,450	30,798	(12,348)
Insurance	8,300	8,300	6,911	1,389
Communications	3,040	3,040	3,533	(493)
Marketing	2,600	2,600	3,898	(1,298)
Utilities	3,000	3,000	2,127	873
Memberships and dues	500	500	5,706	(5,206)
Transportation and training	6,000	6,000	5,790	210
Repairs and maintenance	1,000	1,000	1,355	(355)
Technology	35,000	38,500	2,178	36,322
Miscellaneous	-	15,347	134	15,213
Total recreation and cultural	309,242	324,589	288,762	35,827
Capital outlay	55,000	50,000	50,324	(324)
TOTAL EXPENDITURES	364,242	374,589	339,086	35,503
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,347	-0-	98,226	98,226
Fund balance, beginning of year	289,194	289,194	289,194	-0-
Fund balance, end of year	\$ 299,541	\$ 289,194	\$ 387,420	\$ 98,226

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Library Board
of the Community District Library
Corunna, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Community District Library, Michigan for the year ended June 30, 2006. In connection with the audit, we feel that a certain change in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

1. The Library should adopt a written credit card policy.

During the course of the audit it was noted that the Library had received credit cards to purchase supplies. An inquiry of Library personnel indicated that the Library Board had not adopted a formal written credit card policy as required by P.A. 266 of 1995 (MCL 129.241).

We suggest that the Library adopt a formal credit card policy as soon as possible to comply with the State of Michigan requirements. The policy must include and/or address the following items:

- a. An officer or employee designated to oversee credit card issuance, accounting, monitoring, and compliance with the policy;
- b. The use of the credit card only for the purchase of goods and services for the official business of the local unit;
- c. User of the credit card must submit documentation of what goods and services were purchased, the cost, the date of purchase, and the official business for which purchase was made;
- d. Officer or employee is responsible for credit card protection and custody and must report lost or stolen cards;
- e. Credit card to be returned to local unit at termination of official or employee;
- f. Internal control systems over the use of credit cards;
- g. Approval of credit card invoices prior to payment;
- h. The balance including interest must be paid within 60 days of the initial statement date;
- i. Disciplinary measures for unauthorized use of a credit card; and
- j. Other matters the local unit considers advisable.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated August 31, 2006.

This report is intended solely for the use of management and the Board members of the Community District Library and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 31, 2006